

Meeting the Call for "Safe Foods"

Increasing consumer concern about food safety arising from the problems with bovine spongiform encephalopathy and O-157 E. coli is one point that should be noted regarding changes in the environment surrounding the food processing industry in fiscal 1996. Among leading food products, domestic demand for beef slumped and the food processing industry has been pressed to develop new responses to an increasing number of consumer requirements pertaining to food.

At the December 1993 GATT Uruguay Round, members were given the responsibility of bringing their food standards in line with international guidelines. Against the backdrop of this global trend, Japan subsequently took steps to change date labels on processed food products from the previous date of manufacture to the expiration date. With regard to bringing safety standards in line with international rules as well, consideration of the adoption of hazard analysis critical control point (HACCP, see note) food sanitation techniques as international standards continued. There were parallel discussions in Japan regarding the establishment of an approval system based on this method, and with the additional impetus of increasing consumer concerns regarding food safety in 1996, the government adopted an approval system for dairy and meat products based on this method and there were also increasing moves by individual companies to employ the method in their own plants.

These efforts related to food safety have led to higher cost burdens for companies that have introduced safety and quality control facilities. However, in the sense that these demands on the industry denote its growing social responsibilities as an industry purveying products essential to daily life, appropriate responses by each company in the industry are desired.

The following two points will be noteworthy among environmental changes expected in fiscal 1997.

The first is the issue of food safety,

which had such a tremendous impact on the food processing industry in fiscal 1996.

Along with the adoption of the HACCP method in individual plants, there should be increasing moves to improve safety and quality control in the food processing industry. Major dairy industry corporations have already taken the lead in introducing HACCP methods in their plants and additional leading candidates that might be suggested along with these companies would include manufacturers of processed meat, poultry, processed seafood, frozen foods and prepared foods, who use livestock, marine products or fresh produce as their main ingredients.

While these efforts are important as a response to consumer needs, as well as in the sense of this industry's fulfillment of its social obligations, they are also expected to receive growing emphasis in future as a requirement of business with the restaurant, retail and other downstream industries. Each member of the industry will undoubtedly be required to develop new responses as a means of strengthening corporate competitiveness in efforts to acquire domestic market share.

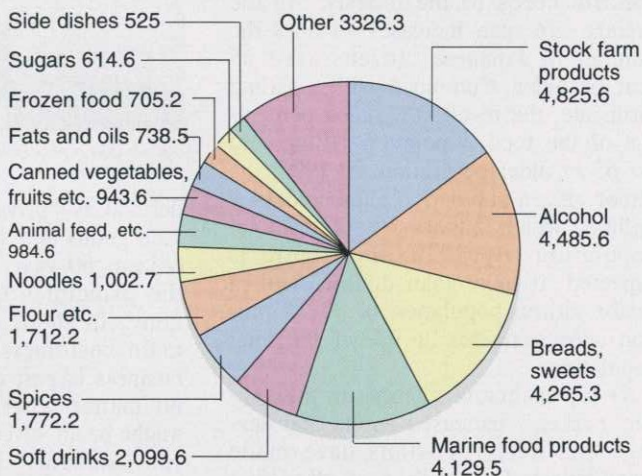
Second, the consumption tax rose 2% in April. In response to this tax increase the beer industry has shifted the price of its products from including to excluding taxes from its prices (under the previous formula, the ¥225 retail price for a 350 ml can of beer consisted of the total of the ¥140.75 suggested retail price and ¥77 liquor tax, with the ¥6.55



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Japan's Shipped Food Industry—Breakdown by Food Type

Total shipments: ¥32.1305 trillion (1994)



Notes: 1. Unit: ¥1 billion. Tobacco products excluded.
2. Companies with at least four employees were used.
Source: Census of Manufacturers Report by Industries

consumption tax calculated in). The soft drink industry has similarly employed a tax-inclusive formula up to now in the automatic vending machine sales sector due to the necessity of making change in increments of less than ¥1, and will continue to use this formula after the tax increases. These moves should be a factor in declining earnings and profits in fiscal 1997.

On the other hand, the tax increase is not expected to produce the type of slump that the introduction of the consumption tax in 1989 did.

Note: Hazard Analysis Critical Control Point

This technique was developed in the U.S. to control the process of manufacturing food for use in space, and stipulates safety and quality control through every step from procurement of ingredients to the final product.

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